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4 September 1956

CURRENT DEVELOPMENTS IN LATIN AMERICA

1. Communist activities in Latin America today fall under two headings: the various actions of the Sino-Soviet Bloc towards individual Latin American Republics; and the internal activities of the various Latin American Communist Parties. To deal first with Bloc activities, 1956 has been marked by a variety of approaches to our southern "Good Neighbors";

A. In February of this year, Dmitri Shepilov--who was then the editor of Pravda--declared that the USSR was now in a position to enter "new" arenas of world diplomacy. Shepilov pointed out that the Soviet Union possessed sufficient economic resources, and technical personnel, and made a point of including Latin America among the "new" arenas.

1. At present the USSR has diplomatic relations with only three Latin American countries--Argentina, Mexico and Uruguay. Since January of this year, however, Soviet approaches for the establishment of relations have been made to five others--Brazil, Peru, Bolivia, Colombia and the Dominican Republic--thus far without concrete results.

2. The Eastern European Satellites now have a total of sixteen diplomatic missions in seven Latin American countries (map): Argentina (with five), Mexico (with three), Uruguay and Brazil (with two) and Ecuador, Bolivia and Peru with one each.

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3. Czechoslovakia, which leads the other satellites in diplomatic representation in the area, has also exchanged consuls with Colombia this year.
 4. Thusfar, the Chinese Communists have been unable to establish diplomatic relations with any Latin American country.
- B. Latin American trade with the Bloc in 1955 amounted to a total of some \$163 million in exports and about the same in imports, while 1956 trade figures may be substantially higher. In comparison, the area's 1955 trade with the US amounted to some \$3.2 billion in exports and slightly less in imports.
1. Most Latin American countries view trade with the Bloc as a matter of expediency. Brazil, Argentina and Uruguay, for example, are short on dollars and have large agricultural surpluses.
 2. In 1955, Brazil's Bloc trade (\$85 million) was double the 1954 figure and the 1956 trade figure should be larger still. Brazil's agricultural surpluses--coffee, cocoa and cotton--have gone to the Bloc, frequently on barter terms, in exchange for needed heavy equipment. Brazil already has trade agreements with Czechoslovakia, Poland and Hungary and is now negotiating with an East German trade delegation.
 3. In March of this year Argentina requested bids on \$250 million worth of petroleum equipment needed for its state oil monopoly. In April, the USSR offered to sell Argentina substantial quantities of oil equipment on a long-term low-interest credit (the deal has not yet been closed).

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4. Uruguay, where the trade and surplus problems are typical but even more acute than elsewhere in the area, has been the Latin American nation most responsive to this year's Bloc trade drive. Three new agreements with the USSR have been concluded, and a deal with Communist China is under consideration.
5. As an example of the activity of Bloc trade delegations in the area, in the early summer of this year four different delegations—from Hungary, Poland, Czechoslovakia and East Germany—were negotiating in Colombia.
- C. The Sino-Soviet Bloc has also continued its "cultural offensive" in Latin America this year. Nineteen so-called "cultural societies", ostensibly serving to improve relations with the USSR or various satellites, exist in the principal cities of Argentina, Mexico, Uruguay, Brazil, Bolivia and Chile (map). Seven of these were opened during 1956.
 1. Communist China's 60-man "Peking opera" troupe is now on the road in Latin America. Opening in Chile in August, the troupe scored a major success—President Franco and five cabinet ministers attended the opening night, while Cardinal Caro, the oldest member of the College of Cardinals (80) and, as such, doyen of the Catholic Church in Latin America, had his picture taken with the group. Next scheduled appearances for the troupe are Uruguay, Argentina, and Brazil, and invitations may be received from other countries.

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D. As to Latin America's "native" Communists, declines in Party strength in other countries this year have probably been offset by the growth of the Party in Argentina--so that the overall strength in the area may have shown a slight increase.

1. In order of magnitude, Latin America's major Communist Parties rank as follows: first, Brazil--an illegal party, numbering between 50,000 and 100,000 with perhaps 200,000 sympathizers; second, Argentina--a legal party, numbering some 55,000, with perhaps 100,000 sympathizers; next, Chile--an illegal party, numbering 25,000 to 30,000, with no estimate of the number of sympathizers; then Cuba--an illegal party, totalling some 25,000 with another 55,000 sympathizers; then Peru--an illegal party of some 6,000 with perhaps 8,000 sympathizers; then Ecuador--a legal party of some 3,000 with 10,000 sympathizers and Mexico--legal, but not a registered party, 4,000 to 4,500 strong, with perhaps 80,000 sympathizers.
2. In Chile, this year, the Communist-oriented labor organization (CUTCH) has shown evidence of reviving strength following a period of inactivity.
3. The major success for "native" Communists this year to date, however, has been in Brazil. There, pursuing united front tactics, the Communists have been largely responsible for the Government's renunciation of its agreement to give the US exclusive purchase rights for Brazilian atomic ores. The Communists were also instrumental in the Brazilian Government's continuing stand that the nation's oil resources are to be developed exclusively^{by} the Government monopoly (PETROBRAS).

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II. On an area-wide basis, two other major Latin American problems are of particular interest to the US. The first of these involves the region's general economic problems (and the economic conferences scheduled to deal with them). The second is the present status of the long-term US aim of hemisphere-wide arms standardization.

A. In the economic field, representatives of the Organization of American States (OAS) will hold a preliminary meeting this month, in preparation for a formal session next February.

1. Both these OAS meetings predate a major hemisphere-wide economic conference scheduled for August 1957 at Buenos Aires (as a follow-up to the Rio Economic Conference of 1954, the results of which disappointed most Latin Americans).

2. Both OAS meetings will provide a relatively private forum at which the Latin Americans can be expected to launch some trial balloons. Among the projects that may be proposed are the following:

- a. An Inter-American Bank--funding would be principally US, while the Latin American Republics would have a voice in management and be the major users.
- b. A Price-Parity formula--this would be aimed at relating the price of US exports to the fluctuating level of prices received for Latin American products.
- c. Coffee Stabilization--with 10 of twenty Latin American countries dependent on coffee sales for a significant part of their export earnings, they would like the US to join an agreement to hold coffee prices at about present levels. This might lead the way to stabilization of other export prices.

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d. Limitation of US surplus sales--many of the Latin republics believe that the disposal of US farm surpluses (under PL-480) is driving down the price of Latin American wheat, cotton and wool.

B. As to arms standardization, this hemisphere-wide concept has been considerably weakened in the past three years by substantial Latin American purchases of non-US military equipment--particularly naval and air items.

1. Many Latin republics feel that modernization--by procurement from any source--is a more important goal than standardization, and few of them have the dollar exchange needed to replace obsolete equipment through purchases from the US.

2. Thus, in 1953, Brazil bartered surplus cotton for UK jet fighter planes, and Argentina, Venezuela, Peru and the Dominican Republic have also purchased European aircraft--mostly from the UK.

3. Venezuela, Colombia, Ecuador and Chile have all purchased (or contracted for) naval vessels from European yards.

4. Purchases of army materiel in Europe, however, have been small in quantity--the major item being a Venezuelan purchase of 40 French tanks in 1954.

5. There is evidence that the Soviet bloc is attempting to tap this side of the Latin American market, too. We know that arms offers have been made to Argentina and Ecuador. In the case of Argentina, MIG fighters were reportedly included in the offer. To date, however, the only sale in the region has been 60 Czech non-military aircraft (Super-Aeroc 43's) to Argentina.

- 6 - ~~SECRET~~

III. Meanwhile, the recent development of the Suez crisis has brought the historical Panamanian attitude towards the Panama Canal into new prominence.

A. Panama has campaigned for many years to gain the right to participate in the operation of the Panama Canal and to get a greater share of the canal's profits. A new treaty with Panama was signed in 1955, and, at the time, a US "promise" was given that the Congress would consider new legislation regarding Canal Zone affairs. When Congress adjourned this summer without considering this legislation-- which would have

- 1. Established a single basic wage scale for all Canal Zone employees.**
- 2. Given Panamanian Canal Zone workers the benefits of Civil Service retirement.**
- 3. Authorized equality of opportunity to Panamanians for employment in non-sensitive Canal Zone jobs.**
- 4. Transferred certain urban lands from the Canal Zone to Panama.**
- 5. Exempted from the "Buy America Act" Panamanian products for sale to the Canal Zone.**
- 6. Transferred to Panama the job of supplying non-US ships transiting the Canal.**
- 7. Authorized construction of a new bridge across the Canal.**

the Panamanian Government was bitterly disappointed.

- 7 -

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B. At present, two local issues are helping to keep the Canal issue prominent. The first is a US interpretation of its commitment to establish a single basic wage-scale for all Canal Zone employees. Here, the US holds that wages will continue to be set according to the area from which the bulk of employees in that position come. ^{FOR A GIVEN JOB}

The second issue concerns a US request for the establishment of radar-sites (in defense of the canal) within Panama. Here, the Panamanians hold that a new formal agreement is necessary. (The United States holds that the 1936 treaty commits Panama to furnishing such sites.)

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C. Meanwhile

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President Arias and President-elect De La Guardia (who will take office on 1 October) have agreed to make a major campaign on the canal during the next four years. Under this agreement, the Panamanian Government will "harp constantly" on Panama's "sovereignty" over the canal, and plug away at the similarities between Suez and Panama. The Government will also encourage "legislative study" of the "nationalization" or "internationalization" of the Panama Canal.

D. This Panamanian plan is probably inspired in part by the Government's wish to distract the public from the nation's serious domestic problems. Another motive is probably the ruling coalition's hope that such an issue will strengthen its position, which at present is weakened by bitter internal divisions and widespread corruption. Nonetheless, the issue is "alive" enough to allow easy exploitation by the Govern-

- 8 - ~~SECRET~~

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ment and is likely to provide Panama's anti-US and ultra-nationalist elements with considerable ammunition.

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- 2 -

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SEPTEMBER 1956

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V. As for Latin America's "native" Communists, the declines in Party strength in ^(certain) other countries this year have probably been offset by the growth of the party in Argentina--so that the overall Party strength ^(AROUND 200,000) in the area may have shown a slight increase. ~~substantive figure~~

*NOTE:
Bolivia
&
Guatemala
also on
map*

A. In order of magnitude, Latin America's major Communist parties rank as follows: first, Brazil--an illegal party, numbering some 60,000, with perhaps 200,000 sympathizers; second, Argentina--a legal party, numbering some 55,000, with perhaps 100,000 sympathizers; next, Chile--an illegal party, numbering some 30,000, with no estimate of the number of sympathizers; then Cuba--an illegal party, totalling some 25,000 with another 55,000 sympathizers then Venezuela--an illegal party, of some 9,000, with some 4,000 sympathizers; then Peru--an illegal party of some 6,000 with perhaps 8,000 sympathizers; then Ecuador--a legal party of some 5,000 with 10,000 sympathizers; then Colombia--an illegal party, 5,000 strong, with 6,000 sympathizers and Mexico--legal, but not a registered party, some 4,500 strong, with perhaps 80,000 sympathizers.

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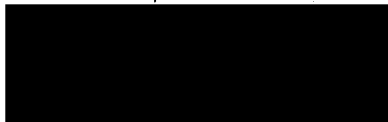
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- 8 -

NOTE:



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